

**De Beers Société Anonyme**

(Incorporated under the laws of Luxembourg)

Friday, 11 February 2011

*RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010*

**De Beers Leads Diamond Recovery with Strong Sales and Profit Growth**

*Strong price recovery, continued focus on costs, and exceptional demand in China and India drive turnaround*

**2010 snapshot**

<b>Financial Summary</b>		
<b>US Dollars millions</b>		
	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Total sales</b>	<b>5 877</b>	3 840
<b>EBITDA</b>	<b>1 428</b>	654
<b>Underlying earnings</b>	<b>598</b>	(220)
<b>Profit before finance charges and taxation</b>	<b>1 049</b>	318
<b>Free cash flow</b>	<b>943</b>	35
<b>Net interest bearing debt</b>	<b>1 762</b>	3 200

**2010 Operating Performance**

2010 saw robust growth as De Beers continued to recover from the 2009 recession. Strong price growth throughout the year, a continuing focus on cost efficiencies and cash management, together with strong demand from DTC Sightholders combined to make De Beers highly cash generative and profitable.

- Total sales by the De Beers Group were US\$5.88 billion for the full year, a 53 per cent increase compared with 2009. Sales of rough diamonds by the DTC were US\$5.08 billion (2009: US\$3.23 billion).
- EBITDA grew to US\$1.43 billion, an increase of 118 per cent over 2009 (US\$654 million).
- Strong demand drove a rebound in the prices of DTC rough diamonds by an average of 27 per cent over the year to levels which are above those which prevailed prior to the onset of the economic crisis.
- A considerably reduced cost base enabled De Beers to be highly cash generative with a free cash flow of US\$943 million (2009: US\$35 million).
- Carats recovered in 2010 amounted to 33 million (2009: 24.6 million), an increase of 34 per cent.
- Following subscription by its shareholders of US\$1 billion in additional equity, the Group successfully concluded a complex refinancing of all of its international and South African debt on satisfactory terms. The tenors of all facilities have been extended to August 2013.
- At the end of 2010, De Beers' third party (non shareholder) debt was US\$1.76 billion (December 2009: US\$3.20 billion), and gearing on this debt, excluding US\$790 million in shareholder loans, was 29.5 per cent (December 2009: 52.2 per cent).

**DIRECTORS' COMMENT**

2010 was an extraordinary year that saw De Beers rapidly move from stabilisation to strong recovery. The price of rough diamonds has recovered strongly as confidence returned to most parts of the diamond pipeline. Notwithstanding this, the industry is not back to pre-recessionary levels in terms of production or sales and a high degree of global uncertainty remains. While restocking picked up throughout the year, it was also clear that consumer demand rebounded, as evidenced by the extraordinary growth in China and India and the better than expected retail performance in the US during the Christmas buying period.

As demand from the industry increased, so too did De Beers' production from its wholly-owned and joint venture operations in Botswana, South Africa, Namibia and Canada. De Beers recovered approximately 33 million carats in 2010 compared with approximately 24.6 million carats in 2009. In Botswana, Debswana commenced the Cut-8 expansion project at Jwaneng mine. Cut-8 represents the largest ever investment in Botswana and is expected to yield 100 million carats worth approximately US\$15 billion over the life of the mine, which will be extended until at least 2025.

De Beers continued to expand its proprietary diamond brand, Forevermark, throughout Asia. Forevermark is now available in 348 doors globally (a 40 per cent increase on the beginning of 2009), and will continue to expand in the rapidly growing Chinese market in the year ahead. Forevermark, which will launch into India in the first quarter of 2011, has commenced an exploratory phase in the US, yielding positive early consumer research, and will continue to assess the market opportunities during 2011.

During 2010, all operations within the De Beers Family of Companies focused on making the savings achieved during 2009 a permanent part of De Beers' operating culture. Through prudent cash management and a continuing focus on costs, De Beers was able to maintain its new cost base, contributing to improved margins. Additionally, Debswana

began an operational review to identify efficiency improvement opportunities to be delivered over the next three years improving returns to the Government of the Republic of Botswana and De Beers.

In March, following a successful US\$1 billion subscription for additional equity shares by its shareholders, De Beers concluded the refinancing of all its international and South African debt on satisfactory terms, extending the tenor of facilities to 2013. During November, the Group achieved normalised terms in respect of debt and EBITDA measurements, some two years earlier than planned - a consequence being that more flexibility now exists in respect of the pursuit of growth strategies.

At the end of 2010, net debt excluding shareholder loans, had fallen to US\$1.76 billion compared with US\$3.20 billion at the end of 2009.

While the Directors remain cautious about the diamond market in 2011, continued positive growth is expected, albeit at a lower rate. The world is not yet back to where it was prior to the onset of the economic crisis, and risks to growth remain. For the foreseeable future, continued recovery in global economic outlook and strong retail confidence are expected to underpin positive growth in consumer demand for diamond jewellery in 2011. After a better than expected Christmas retail season, the US market is expected to continue its recovery and the exceptional growth seen in China and India is expected to be sustained. Global economic expansion and retailer sentiment are supportive of further DTC sales growth in 2011, during which time total production for the De Beers Family of Companies is expected to reach 38 million carats, approaching full production which will, as planned, be achieved in 2012.

In the longer term, the supply and demand dynamics of diamonds remain attractive. Diamonds are a finite resource and western consumer markets are recovering at the same time as demand growth in the emerging markets of China and India is expanding rapidly.

### **Diamond Equity**

De Beers is committed to the highest ethical and environmental standards so that consumers can be proud of the diamonds that they own and wear.

As it has done since its inception, De Beers continued to support the Kimberley Process. Furthermore, the DTC has offered guidance to its Sightholders on the identification of potentially illegal and unethical exports from Zimbabwe's Marange region. While De Beers has no mining interests in Zimbabwe, the group supports the ongoing dialogue between the Government of Zimbabwe and the Kimberley Process Chair.

For a more detailed look at the Operating and Financial Highlights for 2010 please visit De Beers' Operating & Financial Review online at <http://www.debeersgroup.com/ofr2010>

De Beers announces final results as follows:

**De Beers Société Anonyme**  
**Consolidated Income Statement**  
for the year ended 31 December 2010  
(Abridged)

	US Dollar millions	
	Year 31 December 2010	Year 31 December 2009
Total sales (Note 1)	5 877	3 840
Less: cost of sales	4 983	3 513
<b>Gross profit</b>	<b>894</b>	<b>327</b>
Less: operating costs (Note 2)	416	402
<b>Operating profit (loss)</b>	<b>478</b>	<b>(75)</b>
Add:		
Trade investment income	517	298
Foreign exchange gains	44	95
<b>Profit before finance charges and taxation</b>	<b>1 039</b>	<b>318</b>
Less: net interest charges (Note 3)	176	225
<b>Profit before taxation</b>	<b>863</b>	<b>93</b>
Less: taxation	225	125
<b>Profit (loss) after taxation</b>	<b>638</b>	<b>(32)</b>
Less: interests of outside shareholder in subsidiaries	34	(1)
<b>Own earnings (loss)</b>	<b>604</b>	<b>(31)</b>
Add: share of retained (loss) income of joint ventures	(6)	(6)
<b>Net earnings (loss) before once-off items</b>	<b>598</b>	<b>(37)</b>
Once-off items (Note 4)	(52)	(706)
<b>Net earnings</b>	<b>546</b>	<b>(743)</b>
<b>Underlying earnings (loss) (Note 5)</b>	<b>598</b>	<b>(220)</b>
<b>EBITDA</b>	<b>1 428</b>	<b>654</b>

**Consolidated Balance Sheet**  
31 December 2010  
(Abridged)

	US Dollar millions	
	31 December 2010	31 December 2009
Share capital and reserves	3 279	1 943
Interests of outside shareholders	144	229
Total shareholders' equity	3 423	2 172
Shareholders' loans	790	759
Other net interest bearing debt*	1 762	3 200
Other non-current liabilities	972	805
	<b>6 947</b>	<b>6 936</b>
Fixed assets	2 908	2 795
Other non-current assets and investments	3 012	3 023
Net current assets	1 027	1 118
	<b>6 947</b>	<b>6 936</b>

- Other net interest bearing debt includes short-term borrowings and is net of cash

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## Summary of cash flows for the year ended 31 December 2010

	US Dollar millions	
	Year 31 December 2010	Year 31 December 2009
<b>Cash available from operating activities</b>	<b>1 160</b>	<b>226</b>
<b>Less: investing activities</b>		
Fixed assets – stay-in-business	<b>204</b>	150
– expansion		31
Investments	<b>13</b>	10
	<b>217</b>	191
<b>Free cash flow</b>	<b>943</b>	35
<b>Less: financing activities</b>		
Ordinary dividends (including payments to outside shareholders)	<b>6</b>	105
<b>Cash flow</b>	<b>937</b>	(70)
<b>Add (Deduct):</b>		
Shareholder equity subscription / advances	<b>1 000</b>	553
Redemption of preference shares	<b>(107)</b>	
Non cash movements in debt and movements attributable to changes in exchange rates	<b>(392)</b>	(131)
<b>Decrease in other net interest bearing debt</b>	<b>1 438</b>	352

## Notes

1. Total sales of natural rough diamonds (including joint ventures)	<b>5 082</b>	3 233
2. <b>Operating costs</b> include:		
- Exploration, research and development	<b>96</b>	93
- Sorting, selling and marketing	<b>133</b>	131
- Group technical services and corporate overheads	<b>187</b>	178
	<b>416</b>	402
3. <b>Net interest charges</b> include preference dividends amounting to	<b>11</b>	11
4. <b>Once-off items</b> comprise:		
Costs in respect of a class action settlement agreement		1
Costs in respect of restructuring of debt	<b>28</b>	25
Impairment in respect of Canadian mining assets		696
Net costs in respect of restructuring	<b>24</b>	(16)
	<b>52</b>	706
5. <b>Underlying earnings* (loss)</b> is calculated as follows:		
Net earnings (loss) before once-off items	<b>598</b>	(37)
Adjusted for special items and re-measurements:		
Asset disposals (net)	<b>(2)</b>	6
Re-measurement gains on financial instruments (net)	<b>2</b>	(189)
<b>Underlying (loss) earnings</b>	<b>598</b>	(220)

\* Underlying (loss) earnings comprise net earnings attributable to shareholders adjusted for the effect of any once-off or special items and re-measurements, less any tax and minority interests. Special items include closure costs, exceptional legal provisions and profits and losses on the disposal of or impairments of assets. Special items which are considered to be significant relative to the results are categorised as being once-off. Re-measurements are recorded in underlying earnings in the same period as the underlying transaction against which these instruments provide an economic, but not formally designated, hedge.

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### Other information

	Year 31 December 2010	Year 31 December 2009
<b>Exchange rates</b>		
US\$ / ZAR average	7.37	8.25
US\$ / ZAR period end	6.63	7.43
US\$ / C\$ average	1.03	1.15
US\$ / C\$ period end	1.01	1.06
<b>Production summary</b>		
<i>Tons Treated 000's:</i>		
DBCM	17 069	11 321
Debswana	24 439	17 845
De Beers Canada	3 602	2 466
Namdeb	9 434	3 477
	54 544	35 109
<i>Carats recovered 000's</i>		
DBCM	7 556	4 797
Debswana	22 218	17 734
De Beers Canada	1 751	1 140
Namdeb	1 472	929
	32 997	24 600

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Visit the official De Beers group website for more information on the Company and where you can view and download a selection of images - [www.debeersgroup.com](http://www.debeersgroup.com).

#### About De Beers:

De Beers, established in 1888, is the world's leading rough diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. Together with its joint venture partners, De Beers operates in more than 20 countries across six continents employing more than 16,000 people, and is the world's largest diamond producer with mining operations across Botswana, Namibia, South Africa and Canada. As part of the company's operating philosophy, the people of De Beers are committed to *Living up to Diamonds* by making a lasting contribution to the communities in which they live and work. In the countries in which we have mining operations, this means carrying out profitable business, whilst at the same time helping Governments achieve their aspirations of turning natural resources into shared national wealth. De Beers encourages sustainable working to ensure long-term positive development for Africa, and returns more than US\$2.0 billion to the continent every year. For further information about De Beers visit [www.debeersgroup.com](http://www.debeersgroup.com).